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Political Stability in Divided Societies: A Rational–Institutional Explanation

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Analyses of consociationalism and corporatism are based, more often than not, on descriptive case studies. These concepts are considered to explain the stability of the political systems, where one would expect that conflict and stalemate in democratic decision-making were the rule rather than the exception. In this article an attempt is made to develop a more general argument, based on the idea of a structure-induced equilibrium, to analyse institutional adaptation and change in plural societies. Central to this approach, which I label ‘rational institutionalism’, are the concepts of ‘room to manoeuvre’ for political and societal actors, on the one hand, and the ‘feasibility of political choice’ allowing for more space to develop positive sum results for all involved, on the other hand. This argument is first elaborated a priori and then applied to Dutch consociationalism and corporatism. These empirical illustrations demonstrate that a logic of interaction has been developed in the Netherlands, which is not a feature of the Dutch case alone, but can be understood as a form of institutional adaptation and change. This institutional approach can be considered as an analytical instrument to explain political stability under differing circumstances cross-nationally and across time in democracies.

A central paradox of parliamentary democracy is its ability to combine flexibility and change with an underlying stability. Various comparative explanations have been advanced to account for this (see, for instance, Daalder and Mair 1983; Lane and Ersson 1994). Many of them are flawed, however, by their failure to systematically relate the type and occurrence of political action to those institutions that affect collective decision-making in pluralist democracies (Shepsle 1995, 281–2; Scharpf 1998; Olsen 1998).

Since the 1970s two concepts have been developed in the field of comparative politics, which attempt to break away from the mainstream literature on the causes and consequences of political stability and democratic performance in plural societies (eg Lipset 1963; Dahl 1971; Powell 1982; Almond, Powell and Mundt 1993). These challenge the general argument that plural societies, characterised by strong political divisiveness, would produce unstable politics and volatile types of governance. It is argued instead that patterns of institutionalised behaviour could

* This article has been discussed at the Netherlands Institute of Advanced Studies (NIAS) and the Research School for the Social Sciences (RSSS/Canberra). I am grateful for the helpful comments of the discussants and in particular for the comments of Ian Budge (Essex) and Philippe C. Schmitter (EUI, Florence).

and would emerge under these circumstances that counteract the feared ill-effects of societal heterogeneity and political divisiveness. These alternative explanations incorporate concepts like *consociationalism* (Lijphart 1975, 1977; Daalder 1974; Steiner 1974; Lehmbruch 1967) and *corporatism* (Lehmbruch 1979; Schmitter 1981; Katzenstein 1985; Scharpf 1987). These concepts claim that *pluralism* is not the only, nor even the best, explanation of the institutional performance of democracies. On the contrary, it is argued that the pure concept of democratic pluralism is inadequate to understand the political behaviour of the relevant actors and consequent democratic performance of socially divided societies (Offe 1979; Weaver and Rockman 1993; Keman 1997b).

Consociationalism and corporatism attempt to explain the relation between societal conflict and political consensus by means of institutionalised patterns of collective choice. Institutions are defined as sets of rules which occur in social practice in the form of appropriate modes of conduct for political and societal actors. This is particularly important if and when the actors involved are having conflicts that may well lead to recurrent behaviour that complies to those rules and jeopardise political stability (Ostrom 1990; Scharpf 1998). These institutions, ie the formal and informal 'rules of the political game', have emerged under conditions of societal strife which tended to produce a stalemate between the conflicting actors in a parliamentary democracy (Steinmo, Thelen and Longstreth 1992, 2; Keman 1997b, 10).

Managing these political crises appeared not only possible but in due course produced standard operating procedures accepted by most actors involved, over and over again (Lijphart 1977; March and Olsen 1989). It was exactly such developments which have been explained by the concepts of consociationalism and corporatism. However, both models of collective decision-making are merely developed from descriptive analyses of specific cases (eg The Netherlands, Belgium, Austria, Sweden and Switzerland; see, for instance, Rothstein, in Steinmo, Thelen and Longstreth 1992, 51–3; Tsebelis 1990, 162–3; Keman 1993a, 157–9). There has been some doubt, therefore, whether or not these explanations can travel across countries and time, as has been claimed by their protagonists (in particular by Lijphart 1977, 1989; Lehmbruch 1984).

One of the aims of this paper is therefore to discover the extent to which consociationalism and corporatism, or—more broadly—systems of associational interest intermediation (Lehmbruch 1998) work under changing circumstances and differing conditions and are still capable of furthering consensus where conflict appears inevitable in pluralist democracies. This requires us to develop a more systematic approach to analyse the underlying mechanisms that may well explain the effective operation of consociationalism and corporatism across countries and time. We need to develop a conceptual framework of collective decision-making regarding societal problems-cum-conflicts that is *not* primarily based on path-dependent accounts alone. Path dependency is an approach to demonstrate the discrete working of institutions that have historically emerged in a (set of) countries. Such an analysis is useful to understand the constraints for action and subsequent choice within a system per se (see Steinmo, Thelen and Longstreth 1992, 28; Putnam 1993, 7–8). Instead my point of departure will be that collective actors tend to pursue societal interests rationally through actions that are shaped by existing or evolving institutions. Hence, political action is not only considered as being determined by formal rules, but is also influenced by the preferences of the

actor involved. In addition to rules-for-use, one must take into account the existing or emerging rules-in-use (see Laver 1986; Ostrom 1990; H  ritier 1998). This kind of 'rational institutionalism' may well account for the paradox of conflict and consensus in various societies with differently institutionalised modes of decision-making (Shepsle 1995; Scharpf 1998).

In what follows I shall first develop my argument concerning *rational institutionalism* by discussing briefly the principles of 'rational choice' and 'new institutionalism' as an analytical approach to political action. I shall then introduce a conceptual framework which is intended to capture the relationships between actors in conflict and the consensus that is achieved. This raises, and hopefully answers, questions as to how and to what extent institutions matter in terms of problem-solving. Finally I shall try to demonstrate that such a general approach is applicable by analysing the Netherlands under conditions of consociationalism and corporatism.

The Paradox of Conflict and Consensus: Political Decisions and Societal Problem-solving

One of the central questions in political science is about the way in which societal conflicts can be constructively channelled into problem-solving. Conflicts appear to the actors concerned as a zero-sum game. If societal conflicts are indeed 'solved' in an unilateral and one-sided fashion (for instance, by ignoring substantial minorities due to simple majority voting), this will in the long run, according to the logic of game theory, inevitably lead to a situation of a sub-optimal outcomes for all participants (albeit, of course, in a different degree across the population in a society). In formal political theory this situation has been modelled by the (well-known) Prisoner's Dilemma. Even where situations are not so conflictual sub-optimal outcomes may emerge as a result of 'free riding'. A consequence of political action based on the self-interest of collective actors (Ostrom 1990, 38; Scharpf 1998, 46–50; Laver 1986).

This explanation underlines the so-called *micro/macro*-paradox of politics and society: rational actors pursuing their interests by means of societal interaction whilst being dependent on others, must act strategically within the rules of the political game to achieve their individual utility. However, this process tends to yield optimal results (instead of maximum pay-offs) for all actors involved.¹ This paradox becomes apparent in societal conflicts, if and when politicised (ie forming part of the political agenda subject to the democratic rules of decision-making). By definition, the public outcome cannot satisfy all the preferences of the individuals or groups concerned. In other words, political decision-making is inevitably characterised by the micro/macro-paradox. It is literally paradoxical, since the democratic polity can only produce public goods (measures and rewards) to satisfy individual desires (Taylor 1987; Ostrom 1990, 15–18; Laver 1997). Yet, the

¹ Note that the use of the term 'optimum' is different here from what is meant by a *Pareto-optimal* solution, ie the 'social welfare' function in social choice literature (see Mueller 1989, 384 ff.), nor does it point to the application of (economic) norms of 'efficiency' and 'effectivity' as employed by the Virginian school approach to problems of 'public choice' (see Lane 1993, 150 ff.). Essential to our understanding is whether or not the actual outcome of the political process is acceptable to all concerned, rather than that it represents the perfect result one can theoretically construct, either on the micro-level (ie social choice) or on the macro-level (ie public choice). As far as 'choice' is involved, we mean *political choices* shaping mandatory policies in a society by means of public goods (see Scharpf 1998).

existence and working of formal and informal democratic institutions, which aid consensus formation, are essential for understanding to what extent this is possible or not.

An example of this effect of institutions is the majority rule governing decision-making in parliament. This could lead to stalemates in decision-making, eg 'voting cycles' in democracies (Mueller 1989, 63–89). In practice, these situations have been avoided in two ways: (1) by means of compromises among decision-making actors (hence, exchange in order to cooperate); (2) by adapting formal procedures, introducing additional rules concerning agenda-setting and rank-ordering of issues to decide on.² Consociationalism must be seen as a process of redistributing certain policy preferences by means of trading off. The underlying mechanism is an ability to avoid a stalemate or voting cycles without sub-optimal outcomes for the actors involved.

Another example of the paradoxical effects of democratic institutions is given by Mancur Olson. If, indeed, political and societal actors behave rationally, then it follows that individuals will not participate in collective action if they expect that the related pay-offs will come their way anyhow. This may well lead to less societal cooperation and to more self-interested behaviour (and often to free riding). According to Olson (1982) this is due, in part, to individual rationality and, in part, to the (inherent) working of democratic institutions. Avoiding such a situation would imply either a complete overhaul of the democratic institutions, or the incorporation of several 'distributional coalitions' into an encompassing institutional arrangement under the aegis of the democratic state (Olson 1986). In fact, the latter option is the only feasible one, and this implies—given the constitutional design of a liberal democracy—that the extent to which its decision rules allow for defection, obstruction and thus non-cooperation between societal actors and the state should be taken into account in terms of reducing and subsequently accommodating this type of self-interested behaviour (cf Scharpf 1998, 56).

This line of reasoning is exactly the foundation of those who see corporatism as associational interest intermediation. This model represents an alternative to the perverse consequences of the pluralist politics of interest intermediation as envisaged by Olson on the basis of exchange relations (Keman, Paloheimo and Whiteley 1987; Colomer 1996; Czada 1998). Hence, deficiencies of democratic polities are in practice solved by adapting and extending institutions to reduce conflict in democratic society.

Both consociationalism and corporatism can be seen as examples of additive institutionalisation. These modes of collective decision-making are in fact a combination of formal rules, on the one hand, with informal procedures, on the other. This observation underlines the need to develop empirically based models of exchange relations between societal and political actors which specify the patterns of interaction between institutions and the political choices made by actors. Taking the micro/macro-paradox as a point of departure with regard to societal problem-solving is a valuable approach in delineating the extent to which institutions may facilitate coordination and regulation of those problems. Without institutional devices, these situations cannot be solved adequately, the ill-effects of the micro/

² It is precisely these practices which have been described in consociationalism by Lijphart (1975) and which laid the foundation of his model of consensus democracy as opposed to the 'majoritarian' types of democracy (Lijphart 1984).

macro-paradox of individual interests and preferences cannot be reduced, nor can the resulting societal conflicts be resolved and subsequent political consensus be attained (Keman 1996). The first assignment is then to develop a conceptual approach that specifies how and to what extent interactions between institutions and actors are relevant in producing a stable political order from the process of political decision-making and related outcomes.

The Interactions between Actors and Institutions

The extent to which there is an institutionalised political order of society that is capable of producing a balance between conflict and consensus, which is enduring and produces a minimal loss to any individual or group within a society, is what I call a *structure-induced equilibrium* capable of explaining the relative stability of the political order. This concept, introduced by Shepsle (1995, 284; see also Colomer 1996, 4), points to a situation in which there is no alternative choice allowed by the rules of procedure and rules of the game available to the actors who possess veto power or voting power. In this way the existence and working of the rules of a political community shape the room to manoeuvre for policy choices. The concept of a structure-induced equilibrium combines institutional features of a polity with the strategic behaviour of actors who have more or less conflicting preferences. Studying the development and working of *political institutions*—which structure the behavioural patterns of the actors involved—is thus crucial to a better understanding of the kind of equilibrium that is tenable under conditions of strong societal conflict (Héritier 1998; Keman 1997a).

Institutional arrangements regulate the behaviour of political and societal actors who are considered to be both rational and interdependent in a democratic polity. The concept of political order can be conceived as consisting of three dimensions: politics, polity and policy (Powell 1982; Scharpf 1987; Keman 1993b, 43–7). *Politics* is the political process: actors (mostly aggregates of individuals organised in parties, associations, or interest groups) interact with each other when they have conflicting interests or preferences regarding societal problems that are characterised by a deficiency of self-regulation. The process of solving those problems becomes visible through the institutions that have emerged in order to facilitate conflict resolution. Institutions are meant to develop coalescence and to achieve a consensus among conflicting actors through developing alternative preferences. These alternative preferences represent, in theory, the solution, ie that alternative which is acceptable to all concerned and enhances cooperation. Institutions manifest themselves in the rules of the game in a society. This game is then directed by the existing framework of rules or the *polity*. Institutions are considered to be either formal, like, for instance, those enshrined in a constitution, which can be enforced by means of authority, or as informal rules, ie rules evolving over time are respected and followed as a code of conduct by most actors involved. As a result, non-compliance or defection leads to sub-optimal results for the player or the exclusion from the game. The final result of this process can be observed by means of *policy* choices which reflect the extent to which conflicts have been resolved (or not) in a way that it is conducive to an equilibrium.

The urge to solve societal conflicts and thus the need for effective rules which facilitate a political consensus among contestants can be understood as follows: first, rules reduce uncertainty among the actors involved, hence they can act

strategically with an eye to optimal solutions; second, rules provide room for exchange and bargaining for those problems that are described by Ostrom (1990) as 'common pool requirements' (in order to avoid a 'tragedy of the commons') on the one hand, and as 'public problems' on the other; third, policy-making by means of consensus and concertation may well decrease external costs to a society and thus the perverse effects of free riding. The options chosen or decided upon for political action to solve a problem are what we shall call policy formation. This process is equivalent to what others would call state intervention or the 'authoritative allocation of values in a society'. Actions of the state, or a related allocating agency, are in this conceptualisation of the 'political' viewed as relatively independent from societal interests (Skocpol 1985, 45). That is to say, political action, ie the relation between politics and policy-making, requires a degree of autonomy in order to be feasible and effective. It is precisely the existence and working of institutions which makes this possible.

This abstract description of the political process can be observed almost every day: for example, pollution, unemployment or crime are public problems which become recognised as political issues (by parties and the media). Given the nature of the problem and the societal response, on the one hand, and the position taken up by politicians, on the other, policy action will follow (nb: non-decisions or non-action are also policy formation!). Yet, the extent to which the 'public' recognises that this result is the outcome of the (democratic) political process is then also an indication of its democratic performance, ie the perception of an effective political order.

This interactive process between political institutions and rational actors will be our theoretical point of departure in order to assess the way in which societal conflicts and interdependent choices of actors reach the political arena and how subsequent decision-making takes place. In the next section I shall elaborate the underlying mechanisms which motivate and drive actors into action as well as limit their actual scope for action. This refers to the concepts of 'feasibility of political choice' of actors, on the one hand, and the 'institutional room to manoeuvre' of actors, on the other (Keman 1998). Both concepts are crucial for understanding how and when a structure-induced equilibrium is attainable.

Rational Institutionalism and Political Action

In recent times institutionalism has been revived by comparative analysis of the relation between politics and policy formation (March and Olsen 1989; Budge and Keman 1990; Scharpf 1987, 1992; Putnam 1993; Czada, Héritier and Keman 1998). This type of research often provides empirical evidence demonstrating that political institutions add significantly to the understanding of the cross-national and inter-temporal variation in the governing capacity of democracies (Keman, Paloheimo and Whiteley 1987; Scharpf 1992; Steinmo, Thelen and Longstreth 1992; Weaver and Rockman 1993; Schmidt 1996).

The question is whether political decisions and actions are more adequately understood in terms of intentional behaviour directed by individual preferences or as the outcome of institutional arrangements and related procedures. On the level of politics and policies, our concern here, individually guided behaviour is not primarily relevant. By definition political actors perform at the meso-level of society this level of (organised) action or forms of (political) participation. The

individual voter counts less than the aggregated votes and the way they are translated into representation. The single demonstrator and his/her slogan has less of an effect than the extent to which the slogan is shared by others and is transformed into collective action that is relevant to the political arena.³ This point of view also implies that we need first to discuss the tenability of the notion of (individual) 'preferences' on the level of politics (Laver 1997, 20).

First of all, preferences are not only manifold, but are also shaped by social and economic conditions. Second, preferences are not 'given' but are strongly influenced by their sociocultural environment (Elster 1979). Third, under conditions of societal conflict it is better to speak of 'needs' than of preferences (Laver 1986). In politics and the related process of political choice, individual 'needs' show up through the actions of organised actors. The various positions related to 'needs' and taken up by relevant collective actors with respect to societal conflicts guide their behaviour and will drive them into political action. However, actors live in an interdependent world and subsequently have to take the behaviour of other actors into account. This implies that a political actor, representing a rationally defined and rank-ordered notion of 'needs' underlying societal conflict, will often forego a short-term gain in order to attain an agreement that is both enduring and closer to his/her own goals in view of improving public welfare (Héritier 1998). Political actors represent an aggregate of individual preferences and a collectively shared and rank-ordered defined set of (urgent) needs, as well as operate in an interdependent world filled with other rational actors, implies that political decision-making is characterised by the feasibility of political choice of each actor involved. Thus, optimal goal achievement directs behaviour in the political game of decision-making rather than maximalisation of interests.⁴ Institutions are seen in this light not just as constraints but also as opportunities to enhance stable outcomes.

The first concept essential for understanding the relation between conflict and consensus in terms of concerted political action (politics) and collective decision-making (policy-formation) is: the *feasibility of political choice*. Every (organised) political actor participating in collective decision-making will work from a rank-ordered set of 'needs' whose feasibility is, however, also dependent on the (rational) behaviour of other actors. If two (or more) parties compete in the same realm of 'needs' then two possibilities to come to an agreement emerge (assuming a competitive situation): either on the basis of complementary or of parallel needs.⁵

³ Hence there is a 'collective action' problem that precedes much of the successful organisation of political action (Olson 1965). While this may be a problem for the political actor per se, it is not our concern here. I investigate political actors and their interdependent relations and assume that this type of actor represents the intentions of its followers. See also Laver and Schofield (1990, Appendix A, 217-44).

⁴ This means by giving away maximalisation that the concept of rationality becomes quite open-ended or even obscure, yet in my opinion the pure concept of economic rationality obscures most of political action. Unlike the notion of the 'market' where one can trade utilities on the level of the individual and on equal footing, the political 'arena' is fundamentally different: politics is about establishing a balance between conflict and consensus, which is not the same as an equilibrium that is construed by an 'invisible hand', but by regulation and the authoritative allocation of values rather than the anonymous exchange of utilities (see also North 1990; Mueller 1989; Scharpf 1992).

⁵ Complementarity is a situation in which two functionally different actors demand identical measures to achieve a societal situation that meets their respective needs (eg organised employees and employers requiring policy initiatives to restore or stimulate economic growth). Parallelism is the situation in which

Complementary needs will further the formation of strategic coalitions, whereas parallelism will enhance cooperative strategies. If these situations occur it may well enlarge the feasibility of political choices (Czada 1998). If not, then agreements are more difficult to reach and require extensive bargaining. The extent to which a situation of optimal decision-making and concurrent policy-formation may occur is, however, dependent on the institutional room to manoeuvre available to the actors involved.

A number of authors have pointed out, quite correctly, that political and societal actors operate within different arenas of decision-making in a political system. In a democratic society, for instance, parties are active in civil society and in parliament and government simultaneously. Interest groups, on the other hand, are mainly based in civil society and seek access to the political arena through various channels (eg the bureaucracy or advisory boards, etc; Putnam 1993; Woldendorp 1995). Hence, it is important to know which actor has access to which arena. Each arena has its own rules, which are almost always both of a formal and of an informal nature. These rule configurations define the *institutional room to manoeuvre* of the actors involved. Moreover, as these actors often take on roles in more than one arena, this may well affect the relative opportunities of an actor, and—vice versa—limit others in their room to manoeuvre as they too have to play multiple roles (this relates to the epiphenomenon of ‘nested games’; see Tsebelis 1990; Ostrom 1990). In short, a set of institutions, or rule configurations, can be considered as opportunity structures for action.

Finally, all institutions are created by political actors at some point in time. They reflect the modes of interaction between the interdependent actors involved. Formal rules are here seen as conditions under which decision-making takes place and which set the limits for rational man in maximising his own ‘needs’. Informal rules, on the other hand, define the options available to each actor, given their potential for defection and vetoing. Together both types of rule indicate the room to manoeuvre available to each political actor involved from an interdependent perspective.

Political institutions are thus defined as sets of rules that shape (at least in part) the strategic behaviour of interdependent political actors and facilitate the process of decision-making, inducing the furthering of public welfare. Rules define the room to manoeuvre for the participating actors, whose rank-ordered needs in turn define the feasibility of political choice. Both these analytical concepts offer thus the possibility of investigating the opportunities and limitations available in a society to contain conflict and to create consensus. The more the ‘needs’ of the interdependent actors involved are of a complementary or parallel nature, the greater the likelihood of cooperation and compromise between them in solving conflicts (Scharpf 1998; Keman 1997b).

In the next section this rational institutionalist approach will be applied to the concepts of consociationalism and corporatism in the Netherlands. This exercise is meant to show that the conceptual framework discussed in this section can be applied to a concrete case. The analysis will demonstrate that the underlying

Footnote continued

separately organised actors with similar needs operate within the political system (eg political parties with a comparable stance on the welfare state, but within a different ordering of needs which are to be met first). Both situations can occur simultaneously.

mechanisms that have produced a structure-induced equilibrium in the Netherlands have wider theoretical implications beyond simply explaining the Dutch case per se.

Consociationalism and Corporatism Explained by Rational Institutionalism

The extent to which the so-called paradox of conflict and consensus can be solved depends by and large on the way the relevant sociopolitical actors are able to operate rationally. This capability is in turn influenced by the institutional environment in which the political action takes place. The two basic concepts of rational institutionalism—the ‘feasibility of political choice’ of the actors involved and their actual ‘room to manoeuvre’—will be applied below to consociationalism and corporatism and in the Netherlands to demonstrate the viability of the national-institutionalist approach (Keman 1993a, 1996).

The rationale of both modes of collective decision-making according to its protagonists (viz Daalder 1974; Lijphart 1977, 1989; Lehmbruch and Schmitter 1982; Lehmbruch 1998), is that it preserves the existing political order, ie stability, by means of democratic institutions, although the societal structure of the specific cases they study tends to generate and to continue conflicts. They also argue that consociationalism and corporatism often perform better than many other types of parliamentary arrangements in terms of political stability and public welfare (see, for example, Lijphart 1977, ch. 4; Katzenstein 1985, ch. 1). I shall analyse consociationalism and corporatism a priori in terms of the political behaviour displayed, when conflict appears predominant and governance by consensus almost impossible.

Consociational Democracy

In plural societies with several cleavages, the related political conflicts cannot be overcome easily by means of majoritarian rule. Therefore the existing political-institutional framework for decision-making needs to be adapted or even changed. If not, a situation would occur with ‘civil strife rather than democracy. What these societies need is a democratic regime that emphasises consensus instead of opposition that includes rather than excludes’ (Lijphart 1977, 23).

However, the liberal democratic rule configuration as it is organised by means of an electoral system and a mode of collective decision-making (by means of simple majorities) appears to misrepresent a (societally segmented) population and is often bound to make non-decisions as a result of voting cycles created by larger minorities in parliament. In short, the formal system is at odds with the way the existing cleavage structure and related political interests within the Netherlands are organised and represent their needs. This implies—from a rational institutionalist perspective—that the sociopolitical actors (ie parties) are in need of room to manoeuvre to negotiate in such a way that the formal institutions do not constrain positive-sum actions. Yet each actor, interdependent as they are, must seek opportunities to pursue their feasible set of political choice in order to improve their own welfare as well as the public welfare simultaneously. In terms of ‘needs’, each and every actor thus must be able to recognise the complementarity and parallelism in the ‘needs’ pursued by themselves *and* by other participating actors. In addition, each actor must be convinced that these preferences can somehow be realised in the (near) future in an optimal way.

Three conditions to facilitate this process can be discerned in the consociational model (Lijphart 1977; Lehmbruch 1984). First, cooperative behaviour can only be implemented by coalition government, which is effectively controlled by means of mutual commitments agreed upon beforehand. Although the formal rules to make coalitions work can in part be derived from the constitution, in a large part they depend on the resources of each actor (eg the share of the votes; the threat of non-cooperation and so on). This condition of coalition formation essentially limits the room to manoeuvre of all participating parties at the level of parliamentary decision-making. In addition, it requires a certain span of control by governing parties of their parliamentary delegations, as well as over their electoral followers. In other words, depending on the weight of a contested 'need', a party must attempt to detect complementarity and parallelism at the level of decision-making *and* must at the same time remain true to its original preferences in order not to lose its power-base. Hence, credible commitment and an iterated type of bargaining define the feasibility of political choice (Scharpf 1998; Tsebelis 1990, 164–8).

The second condition of consociationalism is the representation of most 'minorities' (segments) through bicameralism, functional or territorial decentralisation and qualified rules which safeguard certain collective rights of minorities.⁶ These rules often limit the feasible set of choice open to all actors. This second condition links the organisation of collective choice to the structure of the state. Elinor Ostrom has correctly emphasised that its institutional design must be related to the operational procedures that transform the outcomes of collective decision-making into credible commitments that can be monitored by all actors (here: minorities) involved (Ostrom 1990, 51–4).

The third condition of consociationalism is that democratic representation must mirror society by means of a proportional representation (PR) electoral system in order to include most relevant societal segments. If not, some of the politically organised societal cleavages would not be included in the politics of problem-solving. This formal prerequisite of consociationalism also has an informal significance: societal actors must be able to organise their own segment politically in order to govern by means of cooperative behaviour. This makes optimal decision-making more feasible.

Here, then, we have an institutional framework which mediates conflicts in such a way that many actors involved can play a role in reaching an optimal agreement. Necessary for the success of such an institutional setting is the recognition by the actors of the opportunity to pursue their 'needs' in an optimal way, ie collective choice must lead to discernible pay-offs for all actors involved.

Whether this contention holds true can best be observed in a situation of genuine sociopolitical conflict. Let us therefore take a closer look at the first amicable agreement to solve a set of sharp sociopolitical conflicts in the Netherlands: the political stalemate of 1917 (see Lijphart 1975). This illustration demonstrates not only the potential of a rational institutionalist explanation of a seemingly isolated event, but also that consociationalism can be seen as a new structure-induced equilibrium produced by the politics of problem-solving (see also North 1990; Keman 1996, 1997b; Shepsle 1995; Colomer 1996).

⁶ These formal rules are developed as a part of the overall need for 'checks and balances'. Often they tend to function as impediments, in particular if and when the needs are fundamentally contested (see Schmidt 1996; Braun 1989).

Table 1. Rank-ordering of needs of Labour, Liberal, Christian parties, before 1917

Needs	Labour	Liberal	Christian
Universal suffrage and PR	1	2	3
Public versus private schooling	3	1(+)	1(-)
Welfare regulation	2	3	2

(+) = in favour of public schooling only; (-) = in favour of subsidised private schooling.
 Rank-order: 1 = an urgent need; 2 = important; 3 = indifference.

In 1917 there were three (blocks of) parties in the Dutch parliament, Labour, Liberal and Christians each representing equally sized societal minorities. Each block was in pursuit of urgent societal 'needs' that could only be attained by means of state intervention (see Table 1). There was no majority party, nor did constructive exchanges appear feasible, owing to the fact that each party used its power of veto to prevent others fulfilling its need (ie producing voting cycles). The price paid by each and every party was a sub-optimal outcome. According to Lijphart (1975) the agreement eventually reached was due to the 'common sense of the leadership' of each 'pillar' and the overwhelming feeling that the national interest was at stake. Hence a bargain was struck at the elite level and this set a precedent for achieving compromises by means of the institutional conditions—consociationalism—spelled out in this section (Daalder 1974).

However, the story told in rational institutionalist terms is different: each political actor representing one of the societal segments had a rational (self)interest to pursue their own 'needs' regardless of the national interest or accommodation. Partly because of electoral motives, partly because of ideologically driven motives (see also Strom 1990), this resulted in a parliamentary stalemate. Because none of the parties had a simple majority it was strategically rational for each party to compare its own 'needs' with those of the other two party blocks in order to find out the degree of parallelism (see n. 6). Each actor knew they could not gain anything without forming a (temporary) strategic coalition with one of the other parties in parliament (interdependence) to create a majority. All parties had a rational understanding of this problem and an optimal mode of conduct developed, not only based on a one-off trade-off and pay-off, but also on the calculation that by finding an agreement other optimal pay-offs might be realised. The actual outcome of this process can be traced by looking at the rank-ordering of the 'needs' of each party in the period before 1917, which involved strong party-political differences over the electoral law, the subsidisation of private (ie non-secular) schooling, and the degree of welfare statism (based on Lijphart 1975; Daalder 1987; Keman 1993a) (see Table 1).

No agreement was possible as long as the ordering as set out in Table 1 remained immovable and parliamentary majorities required two out of the three parties. Each party bloc was big enough to prevent a decision on matters other than their own preferred need, and hence there was always a threat of a strategic veto by a blocking coalition. Yet it is also obvious that some of the 'needs' could only be met if they were considered to be either *complementary* or *parallel*. Hardly any parallelism appears in the rank-orders by each party (schooling ranked high by Liberals and Christians but in an opposite direction, hence there is a maximum distance) except regarding welfare regulation for Christians and Labour. The latter party became in this situation the pivot or broker because it reduced its demand

with respect to universal suffrage to manhood suffrage (as was demanded by the Christian block). As no party was vehemently against welfare regulation, it was possible to develop a package deal in which the remaining sources of conflict could be handled by means of compromising behaviour. The Liberals had complimentary goals with Labour on suffrage and the concomitant introduction of a proportional representation (PR) electoral system. Labour was mildly indifferent to private schooling (which had nothing to do with elitist education in the Netherlands) and quite adamant about the extension of welfare regulation.

In short, because complementary *and* some degree of parallel needs existed between each party, temporary majorities could be formed on each of the separate issues. The package deal represented the optimal pay-off for each party and the only feasible set of political choice as indicated in Table 1. Yet this outcome was only feasible owing to the fact that the formal rule of simple majority voting on separate issues could be circumvented in 1917 by means of the package deal. If not, the stalemate due to veto-voting in parliament would have continued. Had this situation been a 'one-shot game', consociationalism as a mode of democratic decision-making would not have come into existence. However, owing to the introduction of universal suffrage on the basis of a PR electoral system (in 1919), the distribution of power resources among the political actors changed. And it was this constitutional change which turned the practice of consociationalism into a new set of rules. In other words, the compromise that emerged within the existing room for manoeuvre brought about institutional change. The new set of rules-in-use created a different room for manoeuvre for each political actor and led to re-iterated types of negotiation preceding the process of collective decision-making (Andeweg 1989; Keman 1996).

The actual story of the origins of Dutch consociationalism is less important than the institutional practices that emanated from it. The crucial point is that the participants were forced to behave rationally, realising the conditions of interdependence as well as recognising that optimal pay-offs could be achieved only in terms of identifying parallel and complimentary 'needs'. Common sense did indeed prevail, but not because national interest per se, or elite leadership, were crucial factors. Instead, a new set of formal and informal rules was developed. These operational rules appeared to work under the condition that no party lost much more than the others (hence avoiding a *sub*-optimal outcome for themselves and preventing maximal results for others). Thus the stability of the political order was enhanced.

By using concepts derived from rational institutionalism, it is possible to interpret the development of the consociational theme in a more structured way than hitherto done: the concepts of political room to manoeuvre and feasibility of choice appear useful in helping us understand how contradictory situations of societal conflict can be turned into agreement and subsequent political consensus. By employing the notions of complementary and parallel ordering of 'needs' it is possible to detect the underlying mechanism that enables actors to achieve an equilibrium within the existing institutional context. As a result it can be argued that consociationalism is not a different type of democracy or a deviant case, but one of the existing forms of democratic regime, it is not a unique development as most analysts of consociationalism (eg Lehmbruch 1967; Daalder 1974; Steiner 1974) tend to argue.

Corporatism

Unlike consociationalism, corporatism is a relatively recent development in the relations between politics and society. Although some authors trace it from the 1930s or see it as an immediate postwar phenomenon (eg Katzenstein 1985) most consider it a political-institutional arrangement that has emerged since the worldwide stagflation crisis started (around the mid-1970s; Schmidt 1982; Czada 1987; Keman 1988; Braun 1989).

Corporatism is defined as a more or less loosely organised system of tripartite interest-representation aiming at concerted political action to avert the consequences of economic crisis (Lehmbruch and Schmitter 1982; Keman 1989; Braun 1989; Visser and Hemerijck 1997, 63–80). The three central actors are: government, organised capital and labour. What interests us here is not whether 'corporatism' exists or matters politically (see, for example, Schmidt 1982; Thernborn 1987; Lijphart and Crépaz 1991; Woldendorp 1995), but rather to what extent this type of interest-intermediation can be understood in terms of rational institutionalism, ie as a structure-induced response to economic conditions which promotes an optimal level of problem-solving.

As with consociationalism, corporatism entails a decision-making structure that is by and large defined by (informal) codes of conduct. However, in contrast to consociationalism, it concerns two *societal* actors who are not primarily organised to operate politically. They rather operate on the borders of the parliamentary system. Under consociationalism, however vehement competition between and among parties may be, party-political actors pursue similar overall goals: office- and vote-seeking, policy enactments and political resources (Strom 1990; Keman 1997b). In contrast, the main societal agents within a corporatist framework are 'natural' (class) enemies and have therefore fundamentally different urgent 'needs' but pursue similar measures. At the same time, they are strongly interdependent, since the one cannot function without the other (ie in a market economy). Hence, in order to avoid zero-sum outcomes, which would be detrimental to all participants, certain institutions are expected to direct rational behaviour and produce outcomes beneficial to all of them (Scharpf 1992).

Corporatism is thus an institutionalised form of socioeconomic conflict-regulation, and ought to be seen as a bargaining process involving material exchanges to enhance public welfare (ie a stable economy). The degree of success is then measured by the pay-offs to each participant from the final agreement. This result should be devoid of zero-sum results and conducive to optimal outcomes (see also Scharpf 1987; Lehmbruch 1984; Braun 1989; Czada 1987; Woldendorp 1995; Keman 1996). Corporatism is therefore a variable which is predominantly dependent on the feasible policy choices open to each participant and the room to manoeuvre which each of them has. Let us therefore consider which rule configurations as well as sets of (negotiable) 'needs' can be identified with respect to corporatism. Again, the Netherlands will serve as an illustration (Braun 1989; Woldendorp 1995; Keman 1997b).

A basic condition of corporatism is that negotiations take place on a voluntary basis and that only those organised actors have access who can be trusted to represent the majority of their membership (and oblige that majority to accept the outcomes of the negotiations). The more this is so, the more likely a corporatist arrangement is likely to emerge not just once, but repeatedly under the condition that pay-offs are by and large equally perceived.

Another condition relates to the 'collective action' problem: corporatism works under the condition of no-exclusion of those that are included. Every participant has a potential veto: unanimous decision-making is a logical consequence of the development of concerted action (Axelrod 1984; Laver 1986). This implies that the agreement reached must be optimal for the actors involved. But it may be sub-optimal regarding the attainment or maintenance of public welfare for the nation as a whole (compare the Olsonian argument with respect to distributional coalitions and corporatism: Olson 1986).

A third condition is that the results of corporatist bargaining need to be sanctioned by parliamentary approval, which to some extent constrains the room to manoeuvre of party-government in the bargaining process. This practice implies a 'politicisation' of corporatism because it is also dependent on parliamentary consent and in some cases this process has been formalised with respect to the role of corporatist institutions.⁷

All in all the institutional mode of corporatism is characterised by conditions that enhance cooperative behaviour between actors. It is made possible because actors have few exit opportunities. On the other hand, tripartism also enlarges the room to manoeuvre for the actors representing capital and labour as they are attributed a semi-public status (ie they are recognised as participants in the process of collective choice; see also Offe 1979; Keman 1989). The role of representative government is important in this respect as a legitimising body and it can contribute to the bargaining process by providing public goods to further an optimal pay-off to the other actors (eg by means of making the agreement legally binding). As there are so few formal rules laying down the conditions for a collective effort, particularly in the field of socioeconomic policy with adversarial 'needs', the active involvement of government is crucial. The feasible set of policy options available is often limited and thus the right conditions for problem-solving are vital.

The feasibility of political choice depends on the objective economic situation (ie economic development) and the rank-ordering of (urgent) 'needs' as envisaged by each participant. First of all, the way the societal actors view the economic crisis is important, and their view will not only influence their ordering of preferences, but also the extent to which they are considered as immutable. Second, the bargaining process can only be successful if all participants see it as an iterative game. This implies the expectation of all actors involved that the negotiations will be repeated over time which allows actors to take up *and* abandon positions in turn to find agreement (Taylor 1987; Scharpf 1998).

In contrast to the game that is played under consociational conditions, all actors have the same list of 'needs' but (almost by definition) differ on their functional weight. For instance, active labour-market policy has a different weight for capital, labour and party-government. Employers' organisations are mostly interested in an adequate (qualitative) labour supply, whereas trade unions tend to stress the effects of the existing rate of unemployment in terms of income.⁸ Finally, governments use

⁷ In some countries, eg Austria and the Netherlands, this process has been formalised to some extent: in The Netherlands by laying down that government *must* take the advice of the Social Economic Council (until 1995), and in Austria through the Paritätischen Kommission which gives *binding* advice on wage rates and price control (Woldendorp 1997).

⁸ In The Netherlands the average wage rate of an industrial worker is directly related to the level of unemployment benefits. Hence trade unions tend to safeguard their members' income by maintaining wage levels rather than by attempting to influence the level of social security benefits directly.

Table 2. Rank-ordering of needs of government, capital and labour

Needs	Government	Capital	Labour
Active labour-market policy	1	2	3
Statutory wage rates	3	1(–)	1(+)
Social security benefits	2	3	2

(+) = in favour of higher wage rates; (–) = in favour of lower wage rates.

Rank-order: 1 = an urgent need; 2 = important; 3 = indifference.

labour-market policy not only as an (indirect) means to prevent high levels of unemployment, but also to avoid a negative influence on popularity (Whiteley 1986). The same line of reasoning can be developed for other items—for instance for economic-related ‘needs’, such as the development of wage rates in relation to the extension of social security benefits (Braun 1989; Keman 1989; Visser and Hemerijck 1997). Given this complex pattern of similar economic ‘needs’ with a different weight for each actor, the notions of parallelism and, in particular, complementarity become important as they will indicate the feasibility of viable agreements between the actors involved. It is important to note this, because the institutionalisation of corporatist arrangements focuses on a single issue problem, whereas consociationalism is a procedure to find an equilibrium with respect to multifarious issues. Table 2 sets out a plausible rank-ordering of economic ‘needs’ (see also Visser and Hemerijck 1997; Woldendorp 1995).

The ordering shown in Table 2 is highly adversarial regarding one item: the development of statutory wage rates. This gives governments an important role in achieving agreement among the social partners. Yet, in order to maintain the corporatist arrangement it is not only necessary to settle wage rates, but also to compensate the societal actors given their ‘needs’. It is obvious, following this example, that, again, the solution is dependent on a government which formally controls the regulation of social security and can interfere in wage settlements in the Netherlands. This means that party-government in the Netherlands is the only actor which can mediate the conflict of interests between the other actors and develop a viable agreement. If the above holds true, how can the working of corporatism be explained as a mechanism to produce a structure-induced equilibrium by means of rational institutionalist arguments?

First, it must be noted that the actors involved are functionally different but fundamentally interdependent (defining the room to manoeuvre). Corporatism is a rational strategy for all the actors involved in their search for optimal trade-offs. Instead of analysing Table 2 *horizontally* (as was done regarding the interactions between parties in consociationalism), it should be examined *vertically* (ie in regard to the feasibility of policy choices for each actor). The question is: to what extent is it possible for each actor to change their ordering of needs (the feasibility set) in order to reach an agreement which makes no one worse off and is credible for its own members? The following exchange emerges and makes cooperative behaviour possible: the need for higher wages can be modified by increasing social security benefits (as a kind of ‘social wage’). Active labour-market policy can be adjusted to balance demand and supply to the need of all actors, since it is by and large complementary for all actors. In actual fact, given that corporatist arrangements do work on the basis of give and take as well as taking it in turns to make

concessions over time, it may be that a low graded 'need' (3) is an asset for an actor to bargain for an optimal agreement on a highly graded one (trading off). Therefore it may be expected that governments will forego direct constraints on wages and social security to ensure cooperation regarding labour-market policies. According to many observers, Visser and Hemerijck (1997) for instance, Dutch governments behaved strategically in this way during the 1980s (when they were dominated by the Christian Democrats; see also Hemerijck and van Kersbergen 1997). It was only in the 1990s that the option of the active labour market became the cornerstone of the 'Dutch miracle'.

If government, the pivotal actor within a corporatist arrangement, does not follow such a strategy by defining the room to manoeuvre, it will be confronted by a non-cooperative coalition. This has on occasions been the case in The Netherlands. Dutch governments attempted to reduce wage drift as well as curb social security benefits (in 1980/81 and again in 1989/90; Bran 1989; Woldendorp 1995). This resulted in a lack of concerted action and a steep increase in unemployment. Only after this policy direction was abandoned has general agreement again been possible in the Netherlands—based on complementarity on active labour-market policy and reducing social security—and concerted action feasible (Keman 1993a, 1996; Woldendorp 1995). Hence, instead of welfare for work, the shared or parallel need became jobs for welfare (Hemerijck and van Kersbergen 1997). The famous 'Dutch miracle' which now seems to have cured the equally well-known 'Dutch disease' is the result of a reordering by 'needs' of the actors involved. Yet, and this is my claim, it could not have occurred had there not been a rule configuration (ie corporatism) that allowed for an alternative choice, ie a structure-induced equilibrium.⁹

This process of exchange and substituting of the priorities of each actor can be considered as a rational abstention from maximising one's own needs. The interdependence of the social partners affects the feasibility of choice, which in turn is dictated by the room for manoeuvre of each and everyone. Since defection is difficult, the room for manoeuvre depends on the role played by government (unless the social partners decide to cooperate regardless of their prioritised 'needs'). The extent to which corporatism will work is thus dependent on institutionalising tripartite collective decision-making. The actual working and continuity of such an arrangement depends on whether the bargaining game is perceived rationally when it comes to defining the exchange patterns and on whether institutionalised behaviour allows for iterative plays rather than being a one-shot game. Again, as with my criticism of consociationalism, corporatism does not solely occur in certain countries due to specific historical circumstances (see, for example, Katzenstein 1985) or to common sense and policy learning (eg Visser and Hemerijck 1997), but rather as a result of rational action within a flexible institutional setting allowing for optimal outcomes each and every time. In my view, corporatism should be understood as a result of rational behaviour

⁹ Compare this logic with that of Scharpf (1998) where he explains an optimal outcome by means of the 'Battle of the Sexes' game, which he labels as a 'problem-solving style of decision-making' (pp. 56–8). However, in his view the equilibrium is only possible by repeating the game and to redistribute the pay-offs over time. In my view the institutional structure allows for changing outcomes during each game played.

taking into account the institutional context and circumstances allowing for an optimal outcome.

Concluding Remarks

The descriptive analysis of consociationalism and corporatism has contributed to the understanding of how sharp societal conflict turns into a viable political consensus. Agreements that can be reached between adversarial or conflicting actors depend on the feasibility of choice which, in turn, can be derived from the rank-ordering of the (urgent) 'needs' of each actor. In the case of consociationalism, where the room for manoeuvre is more formally defined, unrelated issues can be exchanged. Such exchanges can assist decision-making through cooperation in parliament, which depends on the degree of parallelism in their needs recognised by all parties during negotiations. This mutual understanding helps to find workable and sustainable compromises and avoids stalemates. In the case of corporatism, the room for manoeuvre is by and large defined by party-government, and the 'needs', as defined by the actors, are strongly interrelated. Here the exchange is more dependent on the ordering by each actor. Only certain combinations of 'needs' ordered by each actor on the basis of complementarity will lead to a package deal which is acceptable to all and which can be implemented by concerted action. By characterising actors in relation to their (urgent) 'needs' and considering institutions as intervening variables that shape the room to manoeuvre, we can understand the paradoxical relation between societal conflicts and the development of political consensus as regards the feasibility of shared policy choices.

In this article I have attempted to combine institutionalist arguments with arguments originating from rational choice theory. I consider institutions as particularly crucial in the study of politics, but only if analysed in relation to actors and their 'needs'. Institutions come and (sometimes) go, and shape the political interactions in modern society: the structure of the polity is therefore the principal intervening variable between politics and policies (Keman 1998; but see also Scharpf 1992; Héritier 1998; Laver 1997). By defining and elaborating on the basic elements and working of institutional arrangements with respect to democratic politics, I have identified a plausible line of advance for research in this area. The two concepts that I have proposed—the actor's room for manoeuvre and his or her set of politically feasible choices—represent a step forward. In particular they are useful when analysing under which circumstances a structure-induced equilibrium is more likely to develop (Scharpf 1998; Shepsle 1995).

The other aim has been to relate my a priori arguments to existing concepts in political science: consociationalism and corporatism. These concepts are a challenge to any student of comparative politics, since both concepts appear able to explain paradoxical relationships which do not fit general pluralist democratic theory. The question of how political stability comes about in the existing studies has been, however, too specific and contextually driven. Traditional approaches to consociationalism and corporatism are restricted by their descriptive analyses which are insufficient to explain the paradox of conflict and consensus in a more general fashion. They lack an overarching theoretical argument. This makes it difficult to apply the concepts to comparable cases, be it cross-nationally or over time. A rational institutional approach may well do a better job in this respect.

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